



Social Performance and Productivity

Do our measures of performance and productivity adequately reflect the impact and consequences of what we do? Are there missing elements or aspects that we are not taking into account? Professor [Colin Coulson-Thomas](#).

Are some achievements overstated while others are underplayed? Are certain interests being overlooked? If we are being misled by how we measure and account for what we do, how is this affecting our priorities? Are we missing opportunities? Is it time for a re-think?

Over 25 years ago, I put the case for flexible, adaptable and networked organisations that could develop and expand or contract organically (Coulson-Thomas, 1992). There was an expectation that improvements in productivity would continue to occur. Yet despite increasing connectivity and bandwidth, disruptive technologies and new business models, productivity has slowed in recent years (Harari, 2017). UK labour productivity used to grow by 2% per annum, but since the 2008/9 financial crisis and economic recession, it has largely stagnated. Views differ as to the causes.

Has a lack of investment or a slowing of innovation stunted productivity growth? Is labour being hoarded? Is increased

functionality – such as that of contemporary mobile devices – not being recorded as additional output or value because many prices have fallen, been static, or have only recently increased? Are traditional productivity tools and approaches no longer working? Might the situation be worse than it appears because some outputs that are given a monetary value impact negatively upon health and/or the quality of life, or better than we think because we not counting many of the wider personal and social benefits of changes such as the greater connectivity?

Questioning current approaches

Should we be taking a wider view of productivity and performance and assessing social productivity and social performance? For example, are we missing the benefits of recycling what is produced? What about the sharing economy and the benefits that can accrue to a much wider range of

people than an owner or original purchaser? Also, what about negative externalities? Are we taking full account of the downside consequences of activities, such as atmospheric pollution?

Are governance changes needed? Would taking account of the interests of a wider range of stakeholders and greater focus upon corporate social responsibilities, encourage a more balanced and comprehensive view of cost and benefits when productivity and performance are measured? Are we being held back and frustrated by vested interests, supporters of the status-quo and resistance to change? Is labour productivity no longer an issue where tasks are automated?

Human work is critical to the operation of the National Health Service. Is stagnant productivity within the NHS the result of increased funding of unreformed processes, unionised activities and/or opposition to knowledge based systems, new models of operation and disruptive technologies? Alternatively, do current measures of productivity and improvement fail to capture wider personal and social benefits of advances in medical knowledge, technology and practice?

In general, are some people objecting to changes that would increase labour productivity and raise living standards in order to maintain barriers to entry and other restrictive practices that will allow them to retain their jobs? Are managers and leaders the problem? For example, are they overlooking how performance support tools could help people and make it easier for them to do demanding jobs, while at the same time transforming healthcare and other public services, and yielding benefits for users and other members of the public as well as employees (Coulson-Thomas, 2012). If leadership, priorities and approaches are to change, do we need to first review purpose and responsibilities?

Requirements for responsible business

Trust in business and government is at a low level in many countries. It may get worse before it gets better. Disruptive technologies may decimate certain employments more quickly than new jobs and replacement activities are created. Some of the world's leading companies are turning out to be giants with feet of clay. Motor car engines are programmed to beat pollution tests. Advertisements are placed alongside extremist content that is posted and hosted on websites. Early pioneers of social networking worry about its impact, particularly on children and young people.

If not yet dead, truth is often elusive and hard to come by. Fake news abounds and can influence elections. Some companies employ chatbots to spread bogus endorsements. Others pay journalists to write favourable stories. In many countries, people bribe politicians and officials to secure contracts. When situations and requirements change before plans are implemented, promises can be difficult to keep. It is little wonder that so many people are cynical and distrustful.

Is corporate social responsibility (CSR) a way of recognising wider interests and social impacts, and rebuilding trust and reputation? If it does enhance productivity and/or performance or increase commitment and/or creativity, should the relevant elements of it become core business? If trust or reputation are issues, might these be better addressed by being more open,

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honest and innovative, paying more attention to stakeholder interests, a different business model or adding more value? Rather than decorating the icing, should the emphasis be upon improving the cake?

Clarifying responsibility and stakeholders

From whose perspective should productivity and performance be measured? The desirability of responsible business and need for business social responsibility has long been recognised (Bowen, 1953). Terms such as 'responsible business' and CSR raise the questions of responsibility to whom? From a governance viewpoint, there are the issues of identifying the stakeholders to whom a board is accountable and/or has responsibilities, and how to prioritise them when the interests and requirements of different stakeholders do not always necessarily coincide.

If the words 'social responsibility' imply a responsibility to a wider community beyond one's customers, suppliers, business partners, employees and investors, how far should it reach and in what areas? Should it extend to one's places of operation and their problems. Should the ripple of responsibility and desired impact embrace a geographic region or country, for example changing work arrangements and journey patterns to reduce pollution that can reduce life expectancy? If so, what are the implications for measuring the productivity and performance of resulting initiatives?

Should a company's assumed responsibilities in some way match the scope and extent of its business operations, ie be proportionate? In the case of a company engaged in international trade, might concern with the acidification, pollution and/or warming of the world's oceans be a suitable arena for corporate action, for example, starting, joining or supporting initiatives to reduce the amount of plastic waste that is found even in remote and deep waters? In assessing such efforts, does the perspective of the management services profession with its roots in work study in particular locations now need to embrace a wider range of activities and in some cases on a global scale?

An international company could justifiably be concerned with global issues, such as climate change or sustainability. Each company has to balance scope and remit with potential for having an impact and making a difference. Corporate priorities could be aligned to the environmental, social and governance (ESG) criteria of investment analysts and institutional investors and their fund managers. They could be selected to reduce the risks associated with certain challenges. Should ESG considerations form one element of the assessment of corporate social performance.



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Determining criteria and guidelines

Broader criteria could be set for the approval and assessment of projects (Coulson-Thomas, 2018). Points could be allocated according to their potential impact upon various economic, social and environmental issues. Should one align internal corporate objectives to an external local, national or global agenda? Could new initiatives contribute to a company's action to further one or more of the United Nations 17 Sustainable Development Goals or voluntary national obligations under the Paris Agreement on climate change? Might this dilute a focus upon efficiency and, paradoxically, lead to a more wasteful use of resources?

From a compliance perspective, responsible conduct might be seen in terms of meeting the requirements of various laws, regulations and codes, which raises the issue of whether to just comply with the 'letter' of legislation and other measures, or how far one should go beyond this in relation to their 'spirit'. The former might seem simpler as the latter could involve understanding the purpose of requirements and subjective judgements. However, doing more than the minimum might earn plaudits, more favourable responses and help to build certain relationships.

Some business leaders champion corporate values in an attempt to establish foundations and influence behaviour. To a cynic these are invariably bland. Sometimes they derive from a founder or chief executive officer's thoughts, culture or childhood. So-called 'universal values' often mean different things according to local law and practice and one's culture, political viewpoint, religious faction or personal philosophy. Responsible conduct may be more influenced by principles, guidelines or justification in terms of environmental, sustainability, inclusion or other impacts.

Guidelines and board policies need to be sufficiently clear to provide guidance to people with differing roles in a variety of circumstances. In some areas an absolutist approach may be required to prevent penalties and sanctions for illegal acts. Elsewhere, excessive rigidity might prevent staff from going the extra mile and achieving the reputational and other benefits that might result. Where people have discretion and are uncertain, help lines and escalation routes may need to be provided.

External requirements

Responsibilities established in laws, regulations or codes and license, listing and other requirements can vary by jurisdiction and sometimes by sector. Some may just apply to an organisation and its people, while others might go beyond this and extend to a supply chain, and even be extra-territorial and apply to acts that are committed anywhere in the world. Directors need to ensure that executives and other staff are aware of these varying responsibilities, and that arrangements are in place to monitor and audit relevant activities, ensure compliance and assess and report performance.

Ensuring that a company and its people are responsible in relation to just the bare minimum of legal and other requirements can be a complex and costly operation, but the penalties and sanctions for non-compliance in certain areas and locations can be severe, including large financial payments and the loss of a license to operate. Beyond the minimum,

the question of doing more raises the issues of where, for whom, in what circumstances and to what extent, and cost-effectiveness.

Doing more than a legal or minimum requirement and addressing a wider range of interests, impacts and consequences, invariably involves opportunity costs. Choices in terms of for whom to do more and in what areas, can raise the issues of who pays, cross subsidies and when to stop. In general, people may welcome more of what they perceive to be beneficial until its marginal utility is zero. Would providing extra benefits to the extent that is possible raise expectations, waste scarce resource and lock in higher costs. Can one do too much or be successful with less? Opinions can vary within a board, among stakeholders and across organisations and supply and value chains on who represents society and what is 'social' and/or a socially responsible policy, action or response.

Measuring social performance

How should one measure social performance (Coulson-Thomas, 2018)? Ideally, using indicators that can track progress over time. For example, in relation to a goal of reducing the quantity of unwanted waste that results from corporate operations, one could monitor the volume or weight of waste generated, divided by the volume or weight of goods produced. A company worried about the negative impact of plastic upon the environment could monitor the time it takes for its discarded plastic products or packaging to breakdown or cease to be harmful to sea life.

Financial measures of corporate performance such as profitability or return on net assets can be too narrow and may miss various negative impacts and externalities. However, public, corporate and customer reactions to evidence and suggestions of irresponsible conduct are changing. Many purchasers, investors and users, are becoming better informed and more concerned about the environment and issues such as climate change. The use of integrated reporting to account for a wider range of responsibilities is spreading. The shared economy is growing. Unfair labour practices, exploitation and reports of poor health and safety can lead to consumer boycotts.

Assuring social performance is becoming more than a 'nice to have'. Suppliers can find themselves dropped from supply chains if they do not meet criteria established by their customers in areas ranging from bribery and modern slavery to environmental protection, or survive audits of their practices at home and overseas. A failure to satisfy ethical investment criteria can lead to reduced purchases of one's stock. Awareness of transgressions can also quickly spread by social media.

Supporting concerned stakeholders

What new or additional criteria are needed to inform concerned stakeholders? Does it make sense to add yet more indices, considerations or measures to those already used, or to focus excessively upon a CSR component of ESG's social element? Could one assess and rank according to a national, sectoral or other equivalent of the MSCI KLD 400 Social Index, which includes a range of factors and excludes companies whose products have negative social or environmental

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impacts? Is social audit the answer, or are we expecting too much of it when the external auditors of major financial institutions failed to ring alarm bells before the 2008/9 banking crisis?

If there is greater transparency, and as more decision makers across various stakeholder groups apply ethical and responsibility criteria, will traditional and/or financial measures of performance such as productivity and profitability, stage a comeback? If irresponsible conduct and harmful activities are quickly identified and punished, will a broader measure of a 'bottom line' or of return on capabilities and resources employed that takes more factors into account become a more acceptable indicator of social contribution, effectiveness and performance?

Might the improved mining of data allow quick comparisons to be made between the rhetoric of business leaders, and the reality of corporate performance and impacts, to the extent of allowing real time audits and reducing the need for tight regulation (Hilton, 2017)? Once developments in social media and data mining reduce the imbalance in the information relevant to decisions that is available to directors and others, will markets reign in irresponsible and exploitative conduct and punish transgressors? Will boards tough it out or change when there are fewer places to hide?

Investor and other stakeholder reactions

Might a broadening of perspectives and taking a wider view of performance and the productive use of resources trigger a backlash from investors and other stakeholders? For business leaders, as well as representing an opportunity, could it also be an area of risk? Because of the effort devoted to publicising CSR activities they are often visible. Stakeholders may or may not agree with the priorities a board establishes. If in general a company is doing well, they may be supportive but what if a company is struggling? Will stakeholders view CSR as a distraction from core activities?

From a CEO perspective, the reporting of extensive and successful CSR activity can be very risky if accompanied by poor corporate financial performance. While views differ on whether there is a link between CSR and improved financial performance, there is evidence – based upon a study of the dismissals of 98 CEOs at 90 Fortune 500 companies between 2003 and 2008 which used elements of the MSCI KLD social

index to measure CSR – that a CEO is viewed more positively for delivering good financial performance while being socially responsible (Hubbard et al, 2017). However, when financial performance is poor, the study found effort devoted to CSR can indeed be seen as distraction from concentration upon financial results and increase the risk of CEO dismissal.

Effective directors question and challenge. When making decisions, they should take the interests of stakeholders other than shareholders into account, but they should not go with the flow and simply nod through CSR initiatives. They should question their rationale, the motives for introducing them, their effectiveness and impact, and whether there are spin-off benefits for core business activities. What will stakeholders make of them? Will they be seen as cosmetic and as a diversion, or will they be regarded as genuine, worthwhile and sustainable? Could they be used to engage and develop staff, to test new approaches or to explore new arenas of opportunity for corporate capabilities?

Socially beneficial core business

Would more value and benefit for a greater number of people be created if the time, energy, creativity and other resources that are allocated to CSR were instead devoted to innovation to improve corporate offerings and capabilities, operate a more sustainable business model, introduce new ways of working and learning, or achieve a technological breakthrough that could open up new possibilities and/or help mankind to tackle pressing problems? If so, what new ways of assessing efficiency, productivity and performance are required, to ensure the effective and sustainable use of available resources and capabilities to maximise social impact and social benefit?

Successive generations of entrepreneurs and business leaders have made a massive contribution to innovation, discovery, development, knowledge and wealth creation. Many of them were trusted and respected during their lifetimes. Their influence underpins many widely valued aspects of contemporary societies and international civilization. Might a broader perspective and the fair and honest identification,

valuing and reporting of net social contribution motivate a new generation of entrepreneurs to reduce negative impacts and be more innovative in increasing the beneficial ones?

Today's entrepreneurs and business leaders have the potential to both create and change. While there are challenges facing mankind, there are also unprecedented opportunities to be responsible, have a beneficial social impact and restore trust and respect in business, corporate leadership, enterprise and entrepreneurship. Better measures of social efficiency, productivity and performance would help them to determine which opportunities to pursue and help investors and other stakeholders to make decisions on which people, organisations and activities to support.

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